HOWARD UNIVERSITY

Office of the Provost and
Chief Academic Officer

June 12, 2018

Sonya Sobrian, Ph.D.
Chair, Faculty Senate
Howard University
525 Bryant Street, NW Rm. C-119
Washington, DC 20059

Dear Dr. Sobrian,

This letter responds to your communication to President Frederick dated June 7, 2018, requesting clarification regarding the University's budget planning for FY2018-19.

The budget preparation cycle for FY19 is in process at present and is not concluded. The budget planning process has been increasingly inclusive and has included meetings with Deans, University Administrators, and the Budget Advisory Committee (BAC). The procedure includes the preparation of a preliminary budget based upon revenue targets for the upcoming year. The preliminary budget is not finalized until the Fall, when we have a more accurate student enrollment update. The most recent meeting of the BAC (May 31, 2018), where the University's FY18 year-end financial projection and preliminary budget planning for FY19 were presented, included three representatives of the Faculty Senate; Dr. Kamilah Woodson (School of Education), Dr. Andre Farquharson (College of Dentistry), and Dr. Lynne Kelly (School of Business), as well as other faculty representatives. All parties present had full insight into the budget status, and were able to ask questions regarding the data presented.

With regard to the University's overall financial performance, there is no question that there has been significant, measurable improvement over the past several years. University operating results in FY 2014 and FY 2015 were negative \$45 million, and negative \$55 million respectively. Strategic actions to contain costs and increase and diversify revenues resulted in two consecutive years of a positive operating results in 2016 (+\$12 million) and 2017 (+\$2 million), and based on year-to-date performance through April, the University is projected to have a positive operating result in FY18 as well.

Continued positive financial performance can only be achieved by keeping overall University spending in alignment with overall University revenue, and this practice must be completed on an annual basis. In projecting revenue and expense for FY19, the University Budget Office has identified several factors that will impact the bottom line and necessitate adjustments to spending levels in numerous areas of the University, compared to FY18. First, as the 2017-2018 winter emergency demonstrated, the University must invest more heavily in infrastructure improvement and renovations. Second, the University has to align enrollment with available housing, particularly as we proceed with renovations of residence halls, for example the recent successful renovations of Towers East and Towers West. Availability of quality housing directly impacts the size of the FTIC class, which has an impact of projections of revenue, and additional student residence renovations are anticipated in FY19.

Third, while our enrollment and admissions analyses indicate that we will admit another academically strong class in the Fall of 2018, the financial need of this class is very significant and the scholarship support that will be necessary to meet the financial needs of this group of students will limit growth in per capita net tuition (tuition collected minus institutional aid provided).

2400 6th Street, N.W., Suite 306
Washington, DC 20059

(202) 806-2550
Fax (202) 806-4971
www.howard.edu

When taken together with forecast increases in health benefit costs, utilities, faculty compensation, and other critical expenditures, the University Budget Office has concluded that there will need to be offsetting reductions in expenditures in academic, operational and administrative units in FY19 in order to maintain a balanced budget in the coming fiscal year.

While the schools will not be completely insulated from these reductions, we have minimized the impact on academic programs by limiting any reductions in school budget targets to 3% on an "all funds" basis (i.e., unrestricted funds plus designated funds). Part of the University's strategy to minimize the impact on school budgets is working with the Deans to increase the utilization of specific restricted accounts (Donor and University established accounts). In some schools there may be no effective decrease in expenditures next year, depending on the amount of restricted funds available and utilized.

Each of the initiatives outlined above is part of a comprehensive strategy to strengthen the financial standing of the University, improve our infrastructure and programs, and most importantly, create an environment that allows us to recruit and retain the best faculty, staff and students, and provide the best Howard University education that students are deserving of. We look forward to your continued engagement as we work together to achieve these goals. Thank you.

In Truth and Service,

AKW

Anthony K. Wutoh, Ph.D., R.Ph.
Provost and Chief Academic Officer

MJM

Michael J. Masch, MGA
Chief Financial Officer

Cc: Wayne A. I. Frederick, MD, MBA, President